

**Building on Own Land Maximum Mortgage - Worksheet #5
(4155.1, chapter 1, section 8-D)**

Borrower already owns the land or is buying the land separately

Use the Maximum Mortgage Worksheet **HUD-92900-PUR** (PURCHASE)

| | | |
|--|----|---|
| | \$ | Builder's price or sum of subcontractor's bids, materials, construction costs, etc. |
|--|----|---|

| | | | |
|-------------------|----|---|---|
| <u>5-A</u> | | + | Cost of Land if owned less than 6 months or Value, whichever is less. (if owned more than 6 months or received as an acceptable gift, value may be used instead of cost) (Date of acquisition must be verified by the old HUD-1 or other recorded documents) |
| | | + | Interest/other construction loan costs associated with loan obtained by the borrower to fund construction of the property (Itemized verification of these costs is required) |
| | | + | Reasonable discount points paid by Borrower. (not prepaids) |
| | | + | FHA Allowable closing costs paid by Borrower. (This goes on MCAW 5c only. Leave 10b blank on MCAW as it is included in 10a for this calculation) |
| | \$ | = | Total Adjusted Acquisition Cost of the Property MCAW 10a |
| | | | Statutory Investment Requirement (10a X 0.03) MCAW 10d (For eligible veterans, apply the appropriate substitutions from Mortgagee Letter 2004-24.) |

| | | |
|-------------------|----|---------------------------------------|
| <u>5-B</u> | \$ | Appraised Value MCAW #4 |
|-------------------|----|---------------------------------------|

| | | |
|-------------------|------|---|
| | \$ | The lower of <u>5-A</u> or <u>5-B</u> above goes here MCAW 11c |
| X | 97% | 97% when closing costs are included and financed in acquisition cost. |
| OR X | 90%* | *90% New construction that is not eligible for maximum financing |
| OR X | 85** | **85% If borrower receives cash back above \$250 (For eligible veterans, apply the appropriate substitutions from Mortgagee Letter 2004-24.) |
| <u>5-C</u> | \$ | Max. Mortgage basis before UFMIP |

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|--|----|---|---|
| EQUITY CALCULATION | | | |
| | \$ | | Builder's price or sum of subcontractor's bids, materials, construction costs, etc. |
| | | + | Payoff (land and/or Improvements) |
| | | + | Borrower's own cash expended (canceled checks and receipts required) |
| | | + | Interest/other construction loan costs associated with the loan obtained by the borrower to fund construction of the property (Itemized verification of these costs is required) |
| | | + | FHA Allowable borrower <u>Closing cost</u> paid by Borrower. |
| | | + | <u>Prepays</u> and <u>Reasonable discount points</u> paid by Borrower. (on the FHA loan) |
| 5-D | \$ | = | |

Final Loan Amount Calculation

| | | | |
|---|----|--|---|
| Maximum Base Loan Amount is the <u>Lower of</u> 5C or 5D – The only time that 5C (using the 85% calculation) can exceed 5D and be used as base loan amount is when the land was acquired over 6 months ago, and borrower has at least 15% equity in transaction. | | | |
| 5-E | \$ | | MCAW 11d & MCAW 3a Maximum Mortgage BEFORE UFMIP |

Specific Instructions on Completing the HUD-92900-PUR, MCAW

- The software system your company uses to prepare the closing documents may not work for the MCAW. You may have to manually complete this form to make the numbers work.
- On the MCAW, 12-b is N/A if the lowest calculation is 5-D.
- On the MCAW, 12-c is N/A (as it is already included the loan amount in 5-C and 5-D)
- Equity in the land goes on line 12-h on the HUD-92900-PUR. (Equity in the land (value or cost, as appropriate, minus the amount owed) may be used for the borrower's entire cash investment (down payment requirement).
- When calculating the LTV (line 16-a on the MCAW) on a build on own land, use the lower of Total Adjusted Acquisition Cost or Value. (This also applies when calculating the LTV in Automated Underwriting Systems.)
- State in the remarks section of the MCAW that this is for a Build On Own Land

Additional Notes:

- FHA case number is ordered as a **purchase** in the FHA Connection.
- The amounts listed on the contract and the construction costs, interest, etc., should be itemized and should match those used on the MCAW and on the HUD-1.
- Submit as a **purchase** in FHA Scorecard
- **If the borrower receives cash at closing exceeding \$250, the loan is limited to 85% of the sum of the appraised value. Replenishment of the borrower's own cash expended during construction is not considered as "cash back" provided the borrower can substantiate with canceled checks and paid receipts all out-of-pocket funds used for construction.
- **All inspections and other documents required for new construction are required here.**